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Message Text

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65
ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /103 W
---------- 066494
R 051302Z OCT 76
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 9527
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
USMISSION BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USMISSION NATO
AMEMBASSY OTTAWA
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

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E.O. 11652: N/A
TAGS: ETRD, ENRG, UR
SUBJECT: GULF OFFICIALS REPORT USSR TIGHTENING UP ON CRUDE OIL
EXPORTS

SUMMARY: THREE OFFICIALS OF GULF TRADING AND TRANSPORTATION COMPANY TOLD CHARGE AND DEPUTY ASST SECRETARY OF COMMERCE DOWNEY OCTOBER 4 THAT USSR HAS NO EXCESS CRUDE OIL AVAILABLE FOR INCREMENTAL EXPORT IN LAST QUARTER OF 1976 AND IS UNENTHUSIASTIC ABOUT MAKING NEW COMMITMENTS FOR 1977. GULF, WHICH HAS BEEN BUYING 30,000 BARRELS PER DAY FOR SEVERAL YEARS FROM USSR, WOULD LIKE TO BE ABLE TO GET
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MORE, OFFICIALS SAID, BUT SOVIET MOOD HAS CHANGED MARKEDLY FROM

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THEIR KEEN INTEREST IN EXPORTS LAST FEBRUARY. END SUMMARY.

1. HERBERT J. GOODMAN, PRESIDENT OF GULF TRADING AND TRANSPORTATION COMPANY, ACCOMPANIED BY LONDON AND PITTSBURGH BASED VICE PRESIDENTS PETER E. LUITWIELER AND E.F. DIEBES, RESPECTIVELY, CALLED ON CHARGE OCTOBER 4. DEPUTY ASSISTANT SECRETARY OF COMMERCE DOWNEY AND E/C COUNSELOR ALSO PARTICIPATED IN DISCUSSION.

2. GOODMAN, WHO IS FORMER FSO, SAID HE MADE FIRST VISIT TO USSR THREE YEARS AGO, SINCE WHICH TIME VERY CLOSE RELATIONS HAD DEVELOPED BETWEEN GULF AND SOYUZNEFTEEKSPORT, THE SOVIET FOREIGN TRADE ORGANIZATION FOR OIL. GULF BUYS SOVIET OIL AT RATE OF 30,000 BARRELS PER DAY, PRIMARILY FOR SHIPMENT TO WESTERN EUROPE. THERE WERE TWO SHIPMENTS TO NORTH AMERICA, ONE TO MONTREAL REFINERY VIA PORTLAND, MAINE, AND THE OTHER TO PORT ARTHUR, TEXAS, BOTH ON SOVIET SHIPS. ACCORDING TO GOODMAN, PRICE OF SOVIET OIL MADE IT ECONOMICAL, BUT HE LATER EXPLAINED THAT THIS WAS EQUATED TO OPEC PRICES. GULF WANTS TO BE INVOLVED WHEREVER OIL IS FOUND; IT LOOKS TO THE FUTURE, AND SOVIET UNION IS MAJOR PRODUCER.

3. GOODMAN CONTRASTED SOVIET ATTITUDE OF LAST FEBRUARY WITH CURRENT LACK OF ENTHUSIASM FOR OIL EXPORTS. AT TIME OF NEGOTIATIONS WITH USG, HE SAID, THEY HAD BEEN WILLING TO MAKE A LARGE VOLUME TRANSACTION ON A LONG TERM BASIS WITH THE UNITED STATES BUT THE DEAL HAD FOUNDERED BECAUSE THEY WERE UNWILLING TO CUT THEIR PRICE BELOW THE OPEC LEVEL. THEY WERE NOW NO LONGER ENTHUSIASTIC ABOUT OIL EXPORTS TO THE U.S. SOYUZNEFTEEKSPORT REPRESENTATIVES SPOKE OF GROWING DOMESTIC COMPTEITION FOR SOVIET OIL RESOURCES. ALTHOUGH GULF WOULD LIKE TO BUY ADDITIONAL OIL, THE SOVIETS HAVE SAID THAT NONE IS AVAILABLE FOR THE FOURTH QUARTER OF 1976. THEY ARE ALSO RELUCTANT TO DISCUSS POSSIBLE 1977 SALES. GOODMAN CONCLUDED THAT WITH TALK OF OPEC PRODUCTION CUTS, A NEW SELLER'S MARKET IS DEVELOPING, AND THE USSR IS NOT INTERESTED IN DISCUSSING OIL SALES TO THE U.S.

4. GOODMAN MENTIONED SOVIET INTEREST IN TECHNOLOGY ACQUISITION BUT DESCRIBED SALES OF TECHNOLOGY AS A SUCKER'S PROPO-
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SITION. HE DID NOT FORESEE GULF BECOMING INVOLVED. MOREOVER, THE RUSSIANS WANT TO GET THE TECHNOLOGY FREE. IF TECHNOLOGY WERE TO BE SOLD, HOWEVER, GOODMAN FELT THAT GULF'S ARCTIC DRILLING TECHNOLOGY WOULD BE OF MORE VAUE TO USSR THAN THAT ON OFFSHORE DRILLING.

TM ACCORDING TO THE GULF OFFICIALS, GULF WOULD LIKE TO CONSTRUCT A LUBE OIL PLANT IN THE USSR, EXPORTING SOME OF THE

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PRODUCT, BUT SOYUZNEFTEEKSPORT HAS NOT BEEN RESPONSIVE IN PUTTING GULF IN CONTACT WITH THE APPROPRIATE SOVIETENTERPRISE. THE CHARGE COMMENTED THAT SOMETIMES BUREAUCRATIC ASPECTS ARE INVOLVED; THE FOREIGN TRADE ORGANIZATION DOES NOT CONTROL THE SOVIET OIL FIELDS.

6. CONCERNING SHIPMENT OF OIL ON SOVIET BOTTOMS TO THE U.S., GOODMAN MENTIONED SOME PROBLEMS WITH MARAD ON THE SHIPMENT TO MONTREAL VIA PORTLAND, MAINE, SINCE THE LATTER IS NOT ONE OF THE FORTY PORTS OPEN TO SOVIET SHIPS UNDER THE MARITIME AGREEMENT. GULF HAD BEEN MORE OR LESS SATISFIED WITH THE SOVIET SHIPS, EXCEPT THAT THEY "BACK OUT" GULF'S OWN. HE SAID THE CANADIANS WOULD LIKE TO OBTAIN SOVIET CRUDE VIA PORTLAND, ME.

7. COMMENT: THE REMARKS BY THE GULF REPRESENTATIVES COINCIDE WITH OTHER INDICATIONS THAT THE USSR IS PRESENTLY RELUCTANT TO EXPORT CRUDE OIL. DESPITE PARTY AND OFFICIAL EMPHASIS ON CONSERVATION MEASURES, DOMESTIC DEMAND FOR OIL IS RISING. THERE IS THE PROSPECT OF ANOTHER HARD WINTER. AND THERE IS A CHANCE THAT A DECISION BY OPEC MAY INCREASE THE VALUE OF SOVIET OIL IN ITS WAKE. WHILE PRESENT LEVEL COMMITMENTS TO CEMA MEMBERS WILL PRESUMABLY BE HONORED, ANY INCREASE IN EXPORTS MAY BE DIFFICULT TO ARRANGE AS THE SOVIETS COME TO LOOK ON THESE SUBSIDIEZED SALES AS OF QUESTIONABLE ECONOMIC INTEREST TO THE USSR. A SUBSTANTIAL OPEC PRICE INCREASE WOULD TEMPT THE RUSSIANS TO DELIVER THE MAXIMUM FEASIBLE TO WESTERN (PROBABLY WEST EUROPEAN) MARKETS, ALTHOUGH NOT AT BARGAIN RATES.
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